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THE JOCKEY CLUB LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 1970



THE JOCKEY CLUB LIMITED



ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1970



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THE JOCKEY CLUB LIMITED Toronto, Ontario

directors	J. H. ADDISON - - - - -	Willowdale, Ontario
	J. ELGIN ARMSTRONG - - - - -	Brampton, Ontario
	†CHARLES BAKER - - - - -	King, Ontario
	DOUGLAS BANKS - - - - -	Nashville, Ontario
	G. M. BELL - - - - -	Calgary, Alberta
	*C. F. W. BURNS - - - - -	King, Ontario
	*H. J. CARMICHAEL - - - - -	Toronto, Ontario
	C. R. DIEBOLD - - - - -	Buffalo, N.Y.
	D. G. FORMAN - - - - -	Williamsville, N.Y.
	G. C. FROSTAD - - - - -	Burlington, Ontario
	*GEORGE R. GARDINER - - - - -	Toronto, Ontario
	THE RIGHT HONOURABLE VISCOUNT HARDINGE - - - - -	Montreal, P.Q.
	*GEORGE C. HENDRIE - - - - -	Toronto, Ontario
	J.-L. LÉVESQUE - - - - -	Outremont, P.Q.
	J. A. McDOUGALD - - - - -	Willowdale, Ontario
	R. S. McLAUGHLIN - - - - -	Oshawa, Ontario
	F. M. McMAHON - - - - -	Vancouver, B.C.
	*JOHN J. MOONEY - - - - -	Toronto, Ontario
	WARD C. PITFIELD - - - - -	Toronto, Ontario
	M. D. RICHARDSON - - - - -	Aurora, Ontario
	WOLFGANG von RICHTHOFEN - - - - -	Campbellville, Ontario
	*J. E. FROWDE SEAGRAM - - - - -	Waterloo, Ontario
	F. H. SHERMAN - - - - -	Hamilton, Ontario
	*CONN SMYTHE - - - - -	Toronto, Ontario
	C. P. B. TAYLOR - - - - -	London, England
	*E. P. TAYLOR - - - - -	Bahama Islands
	D. G. WILLMOT - - - - -	King, Ontario

†Chairman of Executive Committee

*Executive Committee

officers	E. P. TAYLOR - - - - -	Chairman of the Board
	GEORGE C. HENDRIE - - - - -	President
	JOHN J. MOONEY - - - - -	Executive Vice-President and Managing Director
	R. S. McLAUGHLIN - - - - -	Vice-President
	J. E. FROWDE SEAGRAM - - - - -	Vice-President
	GEORGE R. GARDINER - - - - -	Vice-President
	ALLAN G. ISBISTER, C.A. - - - - -	Vice-President-Finance and Treasurer
	JOHN H. KENNEY - - - - -	Assistant General Manager
	SIGURD C. CARLSEN - - - - -	Secretary
	ROLAND B. ROBERTS - - - - -	Assistant Treasurer

solicitors FISHER & HOLNESS - - - - - Toronto, Ontario

auditors CLARKSON, GORDON & CO. - - - - - Toronto, Ontario

transfer agents NATIONAL TRUST COMPANY, LIMITED - - - - - Toronto, Montreal, Winnipeg and Vancouver

and registrars BANK OF NEW YORK - - - - - New York

ANNUAL REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Your Directors present herewith the annual report of your Company, together with the consolidated financial statements and report of the auditors for the year ended December 31, 1970.

**race
meetings**

The thoroughbred and harness race meetings followed the same general pattern as in 1969. The number of racing days at each of your Company's race tracks during the last three years was as follows:

	1970	1969	1968
Thoroughbred racing at Woodbine	<u>84</u>	<u>86</u>	<u>76</u>
Greenwood . . .	57	54	66
Fort Erie	<u>56</u>	<u>56</u>	<u>54</u>
	<u>197</u>	<u>196</u>	<u>196</u>
Harness racing at Greenwood	125	132	126
Mohawk	60	66	77
Garden City	<u>83</u>	<u>72</u>	<u>65</u>
	<u>268</u>	<u>270</u>	<u>268</u>
	<u>465</u>	<u>466</u>	<u>464</u>

The 1971 thoroughbred racing season, consisting of 197 days, opened at Greenwood on March 25th and will conclude at the same race track on December 4th. The 1971 harness racing season, consisting of 267 days, opened at Greenwood on January 1st and will conclude at Greenwood on December 18th.

**financial
results of
operations**

As shown on the accompanying statement of consolidated profit and loss, gross revenues and operating expenses for the year increased by \$1,285,614 (4.4%) and \$1,930,817 (8.7%) respectively, in comparison with the previous year. Profit from operations decreased by \$787,026 and, after deducting financial expenses, income taxes and the interests of minority shareholders, the net profit for the year decreased by \$309,783. Earnings per common share, after providing for dividends on preference shares, amounted to 26¢ during the year compared with 33¢ in 1969. Per share earnings are based on an average of 5,908,578 shares outstanding in 1970 and 5,609,947 shares outstanding in 1969.

At the thoroughbred race meetings average daily wagering increased by 4.8% and average daily attendance decreased by 0.4%. At the harness race meetings average daily wagering was lower by 0.4% and average daily attendance was greater by 2.3%.

Three significant factors contributing to 1970 revenues were as follows: firstly, an increase in the clubhouse admission price from \$2.50 to \$3.00, effective January 1st, 1970; secondly, the increase in the percentage of the pari-mutuel handle permitted to be retained by racing associations, which only applied for half of the previous year but which was applicable throughout 1970; and thirdly, the introduction of nine, as opposed to eight, race programmes at Woodbine and Fort Erie Race Tracks.

The increase in operating expenses was mainly attributable to a higher purse distribution, increases in salary and wage costs and higher property taxes. In this connection and as mentioned in the last annual report, it should be noted that purse distribution is based upon a percentage of the amount which the Company retains from the wagering. Accordingly, the increases in both wagering and the amount retained resulted in the higher purse distribution in 1970.

It is evident from the foregoing that your Company still faces an economic squeeze in which revenues are not increasing to the extent necessary to offset rising and uncontrollable costs.

An important factor which contributed to your Company's economic difficulties in 1970 and which continues to have a serious, detrimental effect upon revenues is the existence and proliferation of so-called off-track messenger betting shops. Your Directors are convinced that relatively little of the aggregate moneys wagered is being lawfully bet through the pari-mutuel system at the race tracks. Since there is no government supervision of such off-track operations, it is difficult to establish with certainty which shops are conducting their operations in a legal manner and which are not. The end result, however, is that your Company is losing revenues from pari-mutuel wagering as well as from such sources as parking, admissions, programme sales and concessions.

capital expenditures

During the year in review, the projects referred to in the last annual report were completed.

No major capital expenditures are contemplated for the current year. It is intended to acquire during 1971 additional printing facilities which will be used to print our thoroughbred racing programmes as well as our harness racing programmes, the latter having been produced by your Company since 1967. It is expected that these new facilities will result in significant savings in the programme department.

developments and prospects

In 1971 as in the three previous years, provision has been made in the provincial budget, which has not been approved by the Legislature as at the date of this report, for the "encouragement and improvement of horse racing in Ontario" through the allocation of a sum of money for grants to augment purses, other than for stakes races, and for breeders' awards, equine research, etc. As mentioned in the notes to the financial statements, purse grants disbursed at our race tracks have not been included in income or expenses in the statement of profit and loss for the year.

As indicated above, your Directors remain unequivocally opposed to the off-track messenger betting operations currently being conducted in the Province of Ontario, which are totally lacking in government supervision and control. On the positive side, however, we have consistently indicated our willingness to participate in a system of properly supervised off-track betting, provided that the general public and all segments of the horse racing industry are fully protected.

Your Directors continue to be concerned about the outlook for shareholders in 1971 and in the years ahead. As pointed out in a letter to shareholders dated January 29th, 1971, your directors cannot foresee an improvement in the position of the common shareholders. In the same letter, it was pointed out that the trend in major racing jurisdictions throughout the world has been towards non-profit racing associations. The shareholders were advised of a plan for the creation of such an association on a basis which would provide them with fair and reasonable compensation. The shareholders were also advised that before the plan could become fully effective, certain income tax rulings had to be obtained. The rulings which we have asked for have not yet been obtained but shareholders will be kept informed of developments.

appreciation

Your Directors wish to express their appreciation of the support received from the Directors of The Fort Erie Jockey Club Limited.

Your Directors also wish to record their sincere thanks to all of our employees who have contributed to the operations of the Company during the year.

On behalf of the Board of Directors,

E. P. TAYLOR,
Chairman.

Toronto, May 31, 1971.

THE JOCKEY

(Incorporated under the laws of the State of New York)
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(with comparative figures for 1969)

assets

	1970	1969
FIXED ASSETS, at cost:		
Buildings and equipment (note 1)	\$53,368,298	\$47,520,663
Less accumulated depreciation (note 1)	14,800,805	13,358,568
	<u>38,567,493</u>	<u>34,162,095</u>
Land and land improvements	3,733,043	3,734,408
	<u>42,300,536</u>	<u>37,896,503</u>
GOODWILL, at cost	<u>2,796,042</u>	<u>2,796,042</u>
OTHER ASSETS:		
Cash and short term investments	457,969	2,480,917
Accounts receivable	633,111	295,677
Prepaid expenses	202,448	173,793
Mortgage receivable, due May 1975	249,492	294,202
	<u>1,543,020</u>	<u>3,244,589</u>
On behalf of the Board:		
E. P. TAYLOR, <i>Director</i>		
GEORGE C. HENDRIE, <i>Director</i>		
	<u>\$46,639,598</u>	<u>\$43,937,134</u>

(See accompanying notes to consolidated financial statements)

UB LIMITED

(In accordance with the laws of Ontario)

COMPANIES

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 1970

(As at December 31, 1969)

Liabilities

	1970	1969
CAPITALIZATION:		
Shareholders' equity—		
Capital (note 2):		
First preference shares	\$ 2,897,600	\$ 2,997,600
Second preference shares	3,000,000	3,000,000
Common shares	14,701,207	14,606,866
	<u>20,598,807</u>	<u>20,604,466</u>
Earned surplus (note 3)	8,620,982	7,664,944
	<u>29,219,789</u>	<u>28,269,410</u>
Bonds and debentures (note 4)	11,401,300	12,064,300
Equity of minority shareholders in subsidiary companies	72,381	66,723
	<u>40,693,470</u>	<u>40,400,433</u>
DEFERRED INCOME TAXES (note 5)	873,000	813,000
	<u>873,000</u>	<u>813,000</u>
OTHER LIABILITIES:		
Bank indebtedness	3,306,724	
Accounts payable and accrued charges . .	1,525,617	1,599,455
Dividends payable	84,268	85,719
Income taxes payable	88,025	965,871
Accrued bond and debenture interest . . .	68,494	72,656
	<u>5,073,128</u>	<u>2,723,701</u>
	<u>\$46,639,598</u>	<u>\$43,937,134</u>

(See notes to the financial statements)

THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED EARNED SURPLUS

for the year ended December 31, 1970

(with comparative figures for the year ended December 31, 1969)

	1970	1969
Balance at beginning of year	\$7,664,944	\$6,362,808
Add net profit for the year	1,885,999	2,195,782
	<u>9,550,943</u>	<u>8,558,590</u>
Deduct:		
Dividends declared during year on—		
First preference shares Series A	117,520	121,945
First preference shares Series B	53,637	55,411
Second preference shares 1963 Series	168,000	168,000
Common shares	590,804	548,290
	<u>929,961</u>	<u>893,646</u>
Balance at end of year	<u>\$8,620,982</u>	<u>\$7,664,944</u>

(See accompanying notes to the financial statements)

Auditors' Report

To the Shareholders of
The Jockey Club Limited:

We have examined the consolidated balance sheet of The Jockey Club Limited and its subsidiary companies as at December 31, 1970, and the statements of consolidated profit and loss, earned surplus and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970, the results of their operations for the year then ended and the factors giving rise to changes in their cash position during the year, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 30, 1971.

Clarkson, Gordon & Co.
Chartered Accountants

THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

for the year ended December 31, 1970

(with comparative figures for the year ended December 31, 1969)

	1970	1969
Income:		
Commission on mutuel wagering	\$22,393,795	\$21,367,216
Admissions (not including taxes collected)	4,233,729	4,097,879
Concessions, programmes and parking . .	3,409,553	3,264,007
Other income	404,697	427,058
Total	30,441,774	29,156,160
Operating expenses:		
Purses (note 6)	9,467,259	9,036,618
Salaries and wages	6,667,946	5,903,495
Other operating and maintenance expenses	8,072,620	7,336,895
Total	24,207,825	22,277,008
Profit from operations before depreciation . .	6,233,949	6,879,152
Depreciation (note 1)	1,577,124	1,435,301
Profit from operations	4,656,825	5,443,851
Financial expenses (net):		
Bond and debenture interest and discount	655,064	708,068
Other interest	70,104	16,141
Total	725,168	724,209
Profit before income taxes and minority interests	3,931,657	4,719,642
Income taxes	2,040,000	2,520,000
Profit before minority interests	1,891,657	2,199,642
Minority interests	5,658	3,860
Net profit for the year	\$ 1,885,999	\$ 2,195,782
Taxes on wagering and admissions collected for taxation authorities	\$16,599,271	\$16,231,614
Earnings per common share	26.2¢	33.0¢
Common shares outstanding (average for the year)	5,908,578	5,609,947

(See accompanying notes to the financial statements)

THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF CASH

for the year ended December 31, 1970

(with comparative figures for the year ended December 31, 1969)

	1970	1969
Cash provided:		
From operations—		
Net profit for the year.....	\$ 1,885,999	\$ 2,195,782
Minority interest in profits of subsidiary companies.....	5,658	3,860
Depreciation.....	1,577,124	1,435,301
Amortization of bond and debenture discount.....	57,000	61,800
Deferred income taxes.....	60,000	160,000
	<u>3,585,781</u>	<u>3,856,743</u>
Decrease in mortgage receivable.....	44,710	44,710
Issue of common shares for cash.....	94,341	2,072,700
Total cash provided.....	<u>3,724,832</u>	<u>5,974,153</u>
Cash expended:		
Purchase of fixed assets (net).....	5,981,157	1,808,293
Increase in accounts receivable and pre-paid expenses.....	366,089	93,141
Redemption of preference shares.....	100,000	100,000
Retirement of bonds and debentures payable.....	720,000	870,000
Net decrease (increase) in liabilities other than deferred income taxes and bonds and debentures payable.....	957,297	(77,062)
Dividends declared.....	929,961	893,646
Total cash expended.....	<u>9,054,504</u>	<u>3,688,018</u>
Decrease (increase) in cash.....	<u>\$ 5,329,672</u>	<u>\$ (2,286,135)</u>
Cash at beginning of the year.....	\$ 2,480,917	\$ 194,782
Cash (net bank indebtedness) at end of the year.....	<u>(2,848,755)</u>	<u>2,480,917</u>
Decrease (increase) in cash during the year as above.....	<u>\$ 5,329,672</u>	<u>\$ (2,286,135)</u>

(See accompanying notes to the financial statements)

THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 1970

1. BUILDINGS AND EQUIPMENT

	Rates of depreciation (straight-line basis)	1970			1969
		Cost	Accumulated depreciation	Net book value	Net book value
Buildings	2½-5%	\$39,047,069	\$ 9,116,864	\$29,930,205	\$25,720,620
Racetracks, roads and parking lots	2%	8,410,314	1,885,594	6,524,720	6,504,951
Machinery and equipment	10-25%	5,910,915	3,798,347	2,112,568	1,936,524
		<u>\$53,368,298</u>	<u>\$14,800,805</u>	<u>\$38,567,493</u>	<u>\$34,162,095</u>

2. CAPITAL STOCK

(a) The authorized and issued and outstanding capital of the company as at December 31, 1970 is as follows (with comparative figures as at December 31, 1969):

	1970	1969
Authorized—		
289,760 (1969—299,760) first preference shares with a par value of \$10 each		
500,000 (1969—500,000) second preference shares with a par value of \$10 each		
6,119,646 (1969—6,119,646) common shares without par value		
Issued and outstanding—		
194,092 (1969—200,092) 6% cumulative redeemable first preference shares, Series A (redeemable at \$10.50 per share)	\$ 1,940,920	\$ 2,000,920
95,668 (1969—99,668) 5½% cumulative redeemable first preference shares, Series B (redeemable at \$10.50 per share)	956,680	996,680
	<u>\$ 2,897,600</u>	<u>\$ 2,997,600</u>
300,000 (1969—300,000) 5.60% cumulative redeemable second preference shares 1963 Series (redeemable at \$10.50 per share)	\$ 3,000,000	\$ 3,000,000
5,928,044 (1969—5,896,597) common shares	<u>\$14,701,207</u>	<u>\$14,606,866</u>

(b) During the year the company purchased for cancellation first preference shares, Series A and Series B, having a par value of \$60,000 and \$40,000 respectively.

Under the conditions attached to the first preference shares, Series A and Series B, the company is required to allocate certain amounts to a sinking fund for the purchase of first preference shares, Series A and Series B, for cancellation. The amount required to be so allocated by January 15, 1971 will total \$100,000.

During the year 31,447 common shares were issued for a cash consideration of \$94,341 as a result of the exercise of options granted to certain executives and managers of the company which entitle the holders thereof to purchase common shares at \$3 per share. At December 31, 1970 an additional 80,026 unissued common shares were reserved for these options which are exercisable up to February 27, 1971.

3. DIVIDEND RESTRICTIONS

The provisions attached to the first and second preference shares and the trust deed and indentures supplemental thereto securing the bonds and the trust indenture relating to the debentures all contain provisions restricting the declaration and payment of dividends. At January 1, 1971 the amount of earned surplus available for dividends on the common shares under the most restrictive of these conditions was approximately \$5,150,000.

4. BONDS AND DEBENTURES

	Principal amount issued	Outstanding December 31, 1969	Retired during the year	Outstanding December 31, 1970
First mortgage sinking fund bonds—				
5¼% Series A, due January 1, 1971	\$ 4,000,000	\$ 1,200,000		\$ 1,200,000
6% Series B, due November 1, 1978	3,000,000	1,680,000	\$120,000	1,560,000
6% Series C, due November 15, 1980	3,000,000	2,100,000	120,000	1,980,000
5¼% Series D, due May 1, 1982	3,000,000	2,340,000	120,000	2,220,000
5¼% Series E, due November 15, 1983	3,000,000	2,460,000	120,000	2,340,000
Sinking fund debentures—				
5½% due January 1, 1972	6,000,000	2,639,000	240,000	2,399,000
	<u>\$22,000,000</u>	<u>12,419,000</u>	<u>\$720,000</u>	<u>11,699,000</u>
Less unamortized bond and debenture discount		354,700		297,700
		<u>\$12,064,300</u>		<u>\$11,401,300</u>

Sinking fund payments and payments on maturity during the next five years are as follows:

Year ending January 1, 1972	\$4,079,000
and each of the years ending January 1, 1973 to 1976	\$ 480,000

5. INCOME TAXES

Tax reductions realized prior to 1966 as a result of claiming capital cost allowances in excess of depreciation written (not reflected as deferred income taxes on the accompanying balance sheet) amount to \$3,051,000.

6. PURSES

Grants distributed to owners of horses on behalf of the Provincial Government totalling \$1,040,135 during the year have not been included in the accompanying statement of profit and loss.

7. REMUNERATION OF MANAGEMENT

Directors, as such, receive no remuneration for their services. The aggregate direct remuneration paid or payable by the companies to the senior officers for the year was \$200,139.

THE JOCKEY CLUB LIMITED

subsidiary companies

THE ASCOT TURF CLUB, LIMITED

THE BELLEVILLE DRIVING AND ATHLETIC ASSOCIATION LIMITED

THE CHATHAM DRIVING PARK COMPANY, LIMITED

THE DUFFERIN PARK DRIVING CLUB LIMITED

ESSEX RACING AND ATHLETIC CLUB LIMITED

THE FORT ERIE JOCKEY CLUB LIMITED

GREENWOOD RACING CLUB LIMITED

THE HAMILTON JOCKEY CLUB (LIMITED)

KENILWORTH JOCKEY CLUB, LIMITED

LONG BRANCH JOCKEY CLUB, LIMITED

THE METROPOLITAN RACING ASSOCIATION OF CANADA (LIMITED)

THE NAPANEE DRIVING PARK ASSOCIATION LIMITED

ORPENDALE LIMITED

THE PETERBOROUGH TURF CLUB LIMITED

THE SIMCOE DRIVING PARK ASSOCIATION LIMITED

THE SUDBURY RIDING AND DRIVING PARK ASSOCIATION, LIMITED

THE THORNCLIFFE PARK RACING AND BREEDING ASSOCIATION, LIMITED

THE TORONTO DRIVING CLUB LIMITED

THE WINDSOR RACING AND ATHLETIC CLUB, LIMITED

